

# **Zydus Healthcare (USA) LLC.**

## **FINANCIAL STATEMENTS**

**Years Ended March 31, 2024 and 2023**

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# ZYDUS HEALTHCARE (USA) LLC

## TABLE OF CONTENTS

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	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1
Financial Statements	
Balance Sheets as of March 31, 2024 and 2023 .....	2
Statements of Income	
For The Years Ended March 31, 2024 and 2023.....	3
Statements of Changes in Member's Equity	
For The Years Ended March 31, 2024 and 2023 .....	4
Statements of Cash Flows	
For The Years Ended March 31, 2024 and 2023 .....	5
Notes to Financial Statements .....	6-12



## INDEPENDENT AUDITOR'S REPORT

To the Member's  
of Zydus Healthcare (USA) LLC.

### **Opinion**

We have audited the accompanying financial statements of Zydus Healthcare (USA) LLC, which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of income and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zydus Healthcare (USA) LLC as of March 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Zydus Healthcare (USA) LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Zydus Healthcare (USA) LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Zydus Healthcare (USA) LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Zydus Healthcare (USA) LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Ram Associates*

Ram Associates

Hamilton, NJ

May 17, 2024

**ZYDUS HEALTHCARE (USA) LLC**  
**Balance Sheets**  
**March 31,**

*(all in thousands except shares)*

	<b>2024</b>	<b>2023</b>
<b><u>ASSETS</u></b>		
<b>Current assets :</b>		
Cash	\$ 634	\$ 567
Accounts receivable	524	596
Other current assets	16	11
Inventory	30	-
Total current assets	1,204	1,174
<b>Property and equipment, net</b>	7	13
<b>Building</b>	1,156	1,202
<b>Land</b>	665	665
<b>Deferred Tax Asset</b>	33	-
<b>TOTAL ASSETS</b>	\$ 3,065	\$ 3,054

**LIABILITIES AND MEMBER'S EQUITY**

<b>Current liabilities :</b>		
Accounts payable and accrued expenses	\$ 14	\$ -
Other current liabilities	7	16
Total current liabilities	21	16
<b>Long-term liabilities</b>		
Loan from related party	2,500	2,500
Total current and long-term liabilities	2,521	2,516
<b>Member's equity</b>		
Members' capital	200	200
Retained earnings	344	338
Total member's equity	544	538
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	\$ 3,065	\$ 3,054

-See accompanying notes to financial statements-

**ZYDUS HEALTHCARE (USA) LLC**  
**Statements of Income**  
**For the years ended March 31,**

*(all in thousands except shares)*

	<u>2024</u>	<u>2023</u>
<b>Net sales</b>	\$ 1,686	\$ 290
Service charges	18	17
Net revenue	<u>1,704</u>	<u>307</u>
<b>Cost of sales</b>	<u>1,702</u>	<u>281</u>
<b>Gross profit</b>	2	26
<b>Operating expenses</b>		
General and administrative expenses	52	62
<b>Operating loss before other income / (expenses)</b>	<u>(50)</u>	<u>(36)</u>
 <b>Other income / (expenses)</b>		
Other income	286	284
Interest expense	(151)	(139)
Depreciation	<u>(51)</u>	<u>(61)</u>
<b>Operating income before income taxes</b>	34	48
Income taxes		
Federal income tax	47	12
State income tax	14	5
Deferred income tax	<u>(33)</u>	<u>-</u>
Income taxes	<u>28</u>	<u>17</u>
<b>Net income</b>	<u><u>\$ 6</u></u>	<u><u>\$ 31</u></u>

-See accompanying notes to financial statements-

**ZYDUS HEALTHCARE (USA) LLC**  
**Statements of Changes in Member's Equity**  
**For the years ended March 31, 2024 and 2023**

*(all in thousands except shares)*

	Member's equity	Retained earnings	Total member's equity
Balance at March 31, 2022	\$ 200	\$ 307	\$ 507
Net income		31	31
	\$ 200	338	\$ 538
Balance at March 31, 2023			
Net income		6	6
	\$ 200	\$ 344	\$ 544
Balance at March 31, 2024			

-See accompanying notes to financial statements-

**ZYDUS HEALTHCARE (USA) LLC**

**Statements of Cash Flows**

**For the Years Ended March 31,**

*(all in thousands except shares)*

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 6	\$ 31
Adjustment to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	51	61
Changes in assets and liabilities :		
(Increase) / decrease in :		
Accounts receivable	72	(166)
Other current assets	(34)	(5)
Deferred Tax Asset	(33)	-
Increase / (decrease) in :		
Accounts payable and accrued expenses	14	-
Other current liabilities	(9)	8
Total adjustments	61	(102)
Net cash provided by (used in) operating activities	67	(71)
<b>Cash flows from investing activities</b>		
Capital expenditures	-	(2)
Net cash provided by (used in) investing activities	-	(2)
<b>Net (decrease) / increase in cash and cash equivalents</b>	67	(73)
<b>Cash at the beginning of the year</b>	567	640
<b>Cash at the end of the year</b>	\$ 634	\$ 567

-See accompanying notes to financial statements-



# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

### 1) Organization and Description of Business

Zydus Healthcare (USA) LLC (ZHUL) was incorporated in Delaware on September 24, 2002. Subsequently ZHUL also registered its business in New Jersey on November 6, 2002. It is a wholly owned subsidiary of Zydus Life Sciences Limited, India (Zydus Life). Zydus Life manufactures and distributes prescription, over-the-counter and bulk Active Pharmaceutical Ingredients. ZHUL procures products from third parties and sells goods and services to Zydus Life.

The Company is located at Pennington, New Jersey. Major portion of the facility was leased to Zydus Pharmaceuticals (USA), Inc.(ZPUI) a related party. Remaining portion is also leased to Zydus Therapeutics (USA) Inc., a related party.

### 2) Summary of Significant Accounting Policies

#### *Accounting Policies*

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

### *Revenue Recognition*

The Company recognizes product sales revenue when the title and risk of loss have transferred to the customers, and when collectibles are reasonably assured.

Rental income is recognized as rents become due considering certainty of its realization. Rental payments received in advance are deferred until it becomes due.

### *Cash and Cash Equivalents*

The Company considers all highly liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents.

### *Accounts Receivables*

Accounts receivable from Zydus Life its parent Company as on March 31, 2024 and 2023 were \$ 377 and \$ 470 respectively.

Accounts receivable from Zydus Worldwide DMCC, as on March 31, 2024 and 2023 were \$Nil and \$5 respectively.

Accounts receivable from Viona Pharmaceuticals (USA) Inc., as on March 31, 2024 and 2023 were \$ Nil and \$ 0.2 respectively.

Accounts receivable from Zydus Therapeutics (USA) Inc., as on March 31, 2024 and 2023 were \$ 6 and \$ 6 respectively.

Accounts receivable from Zynext Ventures (USA) LLC., as on March 31, 2024 and 2023 were \$ 0.4 and \$ Nil.

### *Accounts Payables and Other Current Liabilities*

Accounts payables to Zydus Life its parent Company on March 31, 2024 and 2023 were \$ 0.5 and \$ Nil respectively.

### *Credit and Business Concentration*

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade accounts receivable.

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk. As of March 31, 2024 and 2023, the Company had \$384 and \$310, respectively, of uninsured cash balances. Concentration of credit risks with respect to accounts receivable are limited because of the credit worthiness of the Company's major customers. 76% and 79% of the sales for 2024 and 2023 (towards goods and service charges) were made to Zydus Life.

### *Property and Equipment*

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 39.5 years.

Property and equipment consists of the followings as of March 31:

	2024	2023
Computer Equipment	\$ 48	\$ 48
Furniture and Fixture	90	90
Machinery and Equipment	179	179
Building	1,802	1,802
Land	665	665
	<u>2,784</u>	<u>2,784</u>
Less : Accumulated Depreciation	956	904
Net Assets	<u>\$ 1,828</u>	<u>\$ 1,880</u>

The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Depreciation expenses during the years ended March 31, 2024 and 2023 were \$ 51 and \$ 61 respectively.

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

### 3) Pension Plan

ZHUL has implemented an Employer sponsored 401K Pension plan effective October 1, 2003. The Company has merged its 401K plan with the 401K plan of ZPUI effective from April 1, 2010. Under the plan, ZHUL will make Qualified-matching contribution to a maximum of 5% of the basic pay of the eligible employees. All qualified matching contributions are 100% vested and are subject to certain withdrawal restrictions. For the years ended March 31, 2024 and 2023, ZHUL made a matching contribution of \$19 and \$15 respectively.

### 4) Related Party Transactions

a. Sales to Zydus Life- parent Company, towards sale of goods is as follows:

	<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>
Sale of goods	\$ 1298	\$ 56
Total	<u>\$ 1298</u>	<u>\$ 56</u>

b. During the years ended March 31, 2024 and 2023 ZLL - parent Company reimbursed agreed expenses incurred by ZHUL, along with a service charges in the amount of \$681 and \$739 respectively.

c. Sales to Zydus Worldwide DMCC, towards sale of goods is as follows:

	<u>March 31,</u>	
	<u>2024</u>	<u>2023</u>
Sale of goods	\$ 57	\$ 128
Total	<u>\$ 57</u>	<u>\$ 128</u>

d. During the years ended March 31, 2024 and 2023, Zydus Worldwide DMCC reimbursed agreed expenses incurred by ZHUL, along with a service charges in the amount of \$184 and \$127 respectively.

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

- e. ZPUI paid rent in the amount of \$440 and \$434 for the years ended March 31, 2024 and 2023 respectively. The Company has paid a net amount of \$42 and \$50 to ZPUI for the years ended March 31, 2024 and 2023, respectively for the various expenses incurred by ZPUI. ZHUL has an outstanding loan in the amount of \$2,500 from ZPUI. Accordingly, ZHUL paid \$150 and \$139 towards interest at arm's length basis for the year ended March 31, 2024 and 2023 respectively.
- f. The Company has been reimbursed a net amount of \$ Nil and \$0.2 by Viona Pharmaceuticals (USA) Inc. (Viona) for the years ended March 31, 2024 and 2023, respectively for the various expenses incurred for Viona.
- g. Zydus Therapeutics (USA) Inc. (ZTI) paid rent in the amount of \$72 and \$70 for the years ended March 31, 2024 and 2023 respectively. During the years ended March 31, 2024 and 2023, ZTI reimbursed agreed expenses incurred by ZHUL, along with a service charge in the amount of \$43 and \$92 respectively.

### 5) Income Taxes

The Company records income taxes using the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty of their realization.

Income tax expense (benefit) was computed as follows for the years ended March 31,

	2024	2023
Federal income tax	\$ 47	\$ 12
State income tax	14	5
Total income taxes, current provision	61	17
Deferred income taxes (benefit)	(33)	-
Total income tax expense (benefit)	\$ 28	\$ 17

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

The deferred tax assets (liabilities) consist of the following at March 31,

	2024	2023
Other Items	\$ 33	\$ -
Total deferred income taxes	\$ 33	\$ -

The Company files income tax returns in the U.S. federal jurisdiction, and various State jurisdictions. The Company is generally subject to U.S. Federal, State and local examinations by tax authorities for the last three years.

### 6) Commitments

The Company had borrowed a sum of \$2,500 at the rate of 6% per annum from Zydus Pharmaceuticals USA Inc, a related Company. The term of the loan is thirty (30) years. This loan is payable in three hundred fifty nine (359) monthly payments of interest only in the amount of Twelve Thousand Five Hundred Dollars (\$12,500) payable on the fifteenth day of each month, and a final payment of all principal plus accrued interest due, fees and other charges payable on January 5, 2040 (the "Maturity Date").

### 7) New Accounting Pronouncements

- i) Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (Credit Losses) - The amendment in this ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current GAAP. Accounting Standards Update 2019-10 amends the mandatory effective dates for implementation of accounting for Credit Losses for all entities as follows:

# ZYDUS HEALTHCARE (USA) LLC

## NOTES TO FINANCIAL STATEMENTS

For the Years ended March 31, 2024 and 2023

Public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application continues to be allowed. The Company is currently evaluating the effect that implementation of this ASU will have on its financial statements.

### **8) SUBSEQUENT EVENTS**

In accordance with FASB ASC 855, the Company has evaluated subsequent events through May 17, 2024, the date these financial statements were issued. No reportable subsequent events have occurred through May 17, 2024 which would have a significant effect on the financial statements as of March 31, 2024, except as otherwise disclosed.